



BUDGET COMMITTEE



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**Senator Gregg's Opening Remarks at Budget Hearing on
CBO's Budget and Economic Outlook for Fiscal Years 2009-2019
January 8, 2009
(unofficial transcript)**

Thank you, Mr. Chairman and thank you for those sobering words, and I want to join you in thanking the CBO team here. You had to work very hard during the holidays; I know your families were impacted by that and we very much appreciate that work and the product that you've brought forward. While although stark and obviously a product that gives us all pause and is something that we need to hear and we thank you for getting it us quickly.

Picking up on the Chairman's comments, we are facing something that is totally unique that we have not confronted as a nation before, at least certainly not in the post-World War II period, and our running room, so to say, is limited. Whereas maybe in the earlier times we had more capacity to deal with a situation like this, right now our options are limited.

There are a couple of numbers that jump out at me, and I want to second what the Chairman said, especially relative to the approach that should be taken here, relative to a bipartisan initiative to try to get our hands around the out-year costs of entitlements. But a couple of numbers that really jumped out from your report is that it looks like we're going to see spending in 2009 at about 24.9% of GDP, which will be the highest level since 1945. And it looks like tax revenues will be at about 16.5% of GDP, which will be one of the lowest levels since the 1950s.

Well, those two numbers will lead inevitably to disaster and can't be tolerated for an extended period of time. I do greatly respect much of what has been said by President-elect Obama on how they intend to address this issue relative to the stimulus package. And I just want to highlight my concerns and my sense, at least, that the representation is that they are also the concerns of Larry Summers, and Treasury Secretary designate Geithner.

The reason that the budget deficit is going to balloon so dramatically...this chart sort of shows it, the \$1.186 trillion is your estimate, not counting the stimulus, and if you put the stimulus on top of it you're headed for \$2 trillion. The reason that occurs is in large part

due to two functions over the baseline that we originally had. One is the radical drop in revenues. And two is the expenditures which occur as a result of our attempt to mute or at least soften the impact of this extraordinarily difficult economic time through spending, which is deficit spending, by the federal government.

I think it is critical on the second item, which is the spending, that we make sure that all that spending that we undertake -- whether it is in the stimulus or whether it's by TARP or whether it's in the basic budget process, but especially stimulus and TARP -- be one-time events which when they are finished will have added to our capacity as a nation to compete and be more productive in the global marketplace.

The TARP is actually an investment in assets, which although it will throw the deficit up in the short-term, will be returned to the taxpayer as the economy turns around and we get these assets paid back to us, maybe even with interest and make a little money.

The stimulus package, on the other hand, is in large part a payment out of the Treasury. But it should be one-time payments, it shouldn't be initiatives which expand the base of the federal spending, create programmatic activity that goes beyond the need for the stimulus event. And it should be focused primarily on things which will return to us a more competitive nation in the area of infrastructure and in the area of tax policy, which appear to be the two primary thrusts along with the payments to the states, which I have a whole separate set of issues with.

So I am hopeful that as we hear your thoughts on this, you can give us your ideas as to what types of mechanisms and what types of initiatives we should put in place in order to make sure that when we jump from \$1.186 trillion deficit this year up to \$1.8 trillion as a result of the stimulus is that that number comes down almost as fast as it goes up, in the out-years as we move away from the stimulus package, by having it be a one-time event with very strict enforcement of sunset rules and things like that.

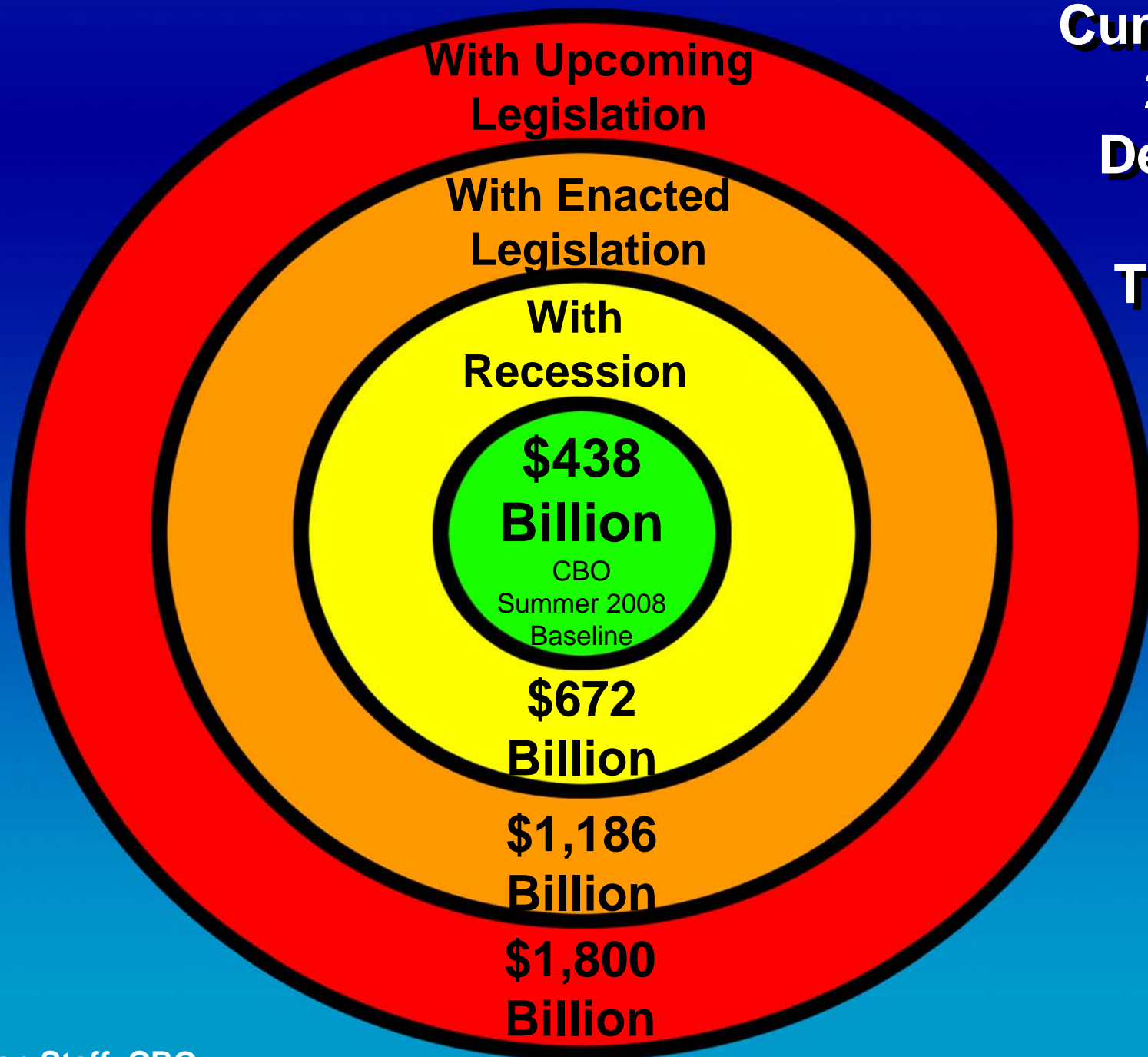
This is obviously such a unique situation and the problem is so dire for our nation that we can't approach it in a partisan way. There are a lot of ideological issues here. As a conservative, I obviously have an inherent dislike of having the government expand dramatically and having obviously a deficit this size, but I also recognize that in this type of economy, something has to be done and the government is sort of the spender of last resort, here. It just has to be done right.

It's my attitude, and I think it's the attitude of our party on our side of the aisle in the Senate that we want to be cooperative here because we realize the seriousness of this situation and we're hopeful that we can reach agreement on some bipartisan initiatives which will address the short-term problem, which is the slow-down, and at the same time address the long-term problem, which is the looming fiscal crisis of the Baby Boom generation.

Thank you, Mr. Chairman.

2009 DEFICIT DISASTER

**Cumulative
2009
Deficit =
\$1.8
Trillion**



Source:
SBC Republican Staff, CBO, (not to scale)

The Tax Rebates Did Not Prompt More Spending

